

## ARTICLE XVIII.

## The Law Regarding Increase of Stock—Conclusion

(Winnipeg Free Press, Oct. 2, 1912.)

The Canadian Pacific Railway's charter provided that the capital stock of the company should be \$25,000,000 in shares of \$100 each, which could be disposed of on such terms as the directors might decide. Already the facts respecting prices at which these shares were sold have been given. The Consolidated Railway Act of Canada provides that capital stock from time to time can be increased, subject to the approval of its shareholders, and with the consent of the Governor-in-Council. Under that Act the capital stock was raised to \$100,000,000, in 1884, by an Act of the Dominion parliament, the capital stock was limited to \$100,000,000, of which \$65,000,000 was issued and \$35,000,000 was deposited with the Dominion Government. In the following year, 1885, the stock deposited with the Dominion Government was ordered to be cancelled and any further issue was prohibited unless the special authority of parliament was obtained. No further legislation respecting the issue of stock took place until 1892. By an Act passed in that year the company was empowered to increase its capital stock with the consent of the Governor-in-Council as provided by Section 85 of the Railway Act.

**Conditions Attached to Authorization.**

A modification of this provision in so far as it concerned the Canadian Pacific was effected in 1902, upon the occasion of an application by the Canadian Pacific Railway company to increase its capital stock by \$20,000,000. This special Act stipulated that the stock could not be sold at less than its par value, and also provided that the new capital, no matter how disposed of, should not be deemed capital expended in the construction of the railway under that section of the company's charter relative to the control of the Government over the rates of the company after its earning power has increased to the extent of 10 per cent on its capital. Since that time various orders in Council have been issued authorizing the increase,

from time to time, of the company's capital. They are as follows:

**Orders-in-Council issued.**

	Authorized.	Making Total of
1902—January,	\$20,000,000	\$ 85,000,000
1904—June 31,	25,000,000	110,000,000
1906—Feb. 10,	40,000,000	150,000,000
1908—Aug. 17,	50,000,000	200,000,000

The increase of the capital to the extent of \$60,000,000, which Sir Thomas Shaughnessy announces, will bring the total up to \$260,000,000.

**Why Consent of Governor-in-Council is Required.**

There can be but one purpose in the law requiring that before the capital of a railroad corporation can be increased it must first obtain the consent of the Governor-in-Council. That purpose is to regulate the capitalization in the public interest. This is not a mere formality. In 1902, when the application of the Canadian Pacific was made for an increase in its capital stock, the Government laid down the condition that it could not be sold at less than par value, and another important condition relative to the control of rates. It is, therefore, clearly within the power and practice of the Governor-in-Council or the Government, to withhold its consent until parliament has had an opportunity of deciding as to whether or not conditions should be attached to authorization of new capital.

**What the Price of New Capital Should Be.**

It is the duty of the Government, under the power that Parliament has given to it, to require the Company to obtain its capital at the lowest possible cost. In preceding articles facts have been adduced which show that the Company's funded debt, so far, has been obtained on the basis of 4 per cent. Actually, the market for the securities listed on the stock exchanges is healthy at a price which